

Message Text

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SUBJECT: EXTERNAL AFFAIRS MINISTER MACEACHEN SPEAKS ON US-CANADIAN
RELATIONS

1. SUMMARY: EXTAFF MIN MACEACHEN SPOKE ON US-CANADIAN
RELATIONS TO CANADIAN INSTITUTE FOR INTERNATIONAL AFFAIRS
IN WINNIPEG JANUARY 23. MACEACHEN DESCRIBED PROBLEM OF
LIVING "DISTINCTFROM BUT IN HARMONY WITH THE WORLD'S
MOST POWERFUL NATION", AND CIRCUMSTANCES WHICH LED GOC TO
ADOPT "THIRD OPTION", SEEKING POLICIES TO REDUCE CANADIAN
VULNERABILITY TO US. AS EXPAMPLES SUCH POLICIES MACEACHEN
MENTIONED EFFORTS TO STRENGTHEN RELATIONS WITH EUROPE AND
JAPAN. HE SAID "SPECIAL RELATIONSHIP" HAD ENDED AND WOULD
BE REPLACED BY A "MORE MATURE RELATIONSHIP" PERMITTING CLOSE
TIES AND COOPERATION YET LEAVING EACH COUNTRY FREE TO PURSUE
NATIONAL INTEREST CONSISTENT WITH INTERNATIONAL OBLIGATIONS.
NEW RELATIONSHIP WOULD BE DIFFICULT AND COMPLEX, BUT "WE ARE
EACH OTHER'S BEST FRIEND BY CHOICE AND CIRCUSTANCE AND WE
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WILL REMAIN SO." MACEACHEN DISCUSSED OIL EXPORTS, GARRISON

DIVERSION, TRADE WITH CUBA BY US SUBSIDIARIES, AND SPOKE OF IMPORTANCE OF CLOSE CONSULTATION. END SUMMARY.

2. THIRD OPTION. MACEACHEN CITED SIZE OF TRADE WITH U.S. AND EXTENT OF US OWNERSHIP IN CANADA, COUPLED WITH US ECONOMIC MEASURES OF 1971 AS MOTIVATION FOR CHOICE OF "THIRD OPTION," WHICH HE SAID "IS DEFINITELY NOT ANTI-AMERICAN." PURPOSE IS TO STRENGTHEN CANADA AND CREATE MORE RECIPROCAL AND HEALTHY RELATIONSHIP. THE SPECIAL RELATIONSHIP BEGUN AFTER WORLD WAR II, RESULTING IN US ECONOMIC AND CULTURAL PENETRATION, CAUSED CONCERN FOR CANADIAN INDEPENDENCE AND INTEGRITY, AND PREOCCUPATION WITH VULNERABILITY INCREASED AFTER AUGUST 1971. IN DEFENSE FIELD, HE SAID CIRCUMSTANCES CHANGING, SOVIET BOMBER THREAT REDUCED, BUT CANADA COMMITTED TO COOPERATION WITH US AND TO NATO OBLIGATIONS.

3. MACEACHEN DESCRIBED CHANGES IN US POLICIES REFLECTING FEELING OF AMERICANS THAT POLICIES SHOULD SERVE MORE IMMEDIATE AND DOMESTIC INTERESTS. VIEW IS TAKING HOLD IN US THAT SPECIAL RELATIONSHIP HAS WORKED TOO OFTEN TO CANADA'S ADVANTAGE. IN BOTH CANADA AND US THERE IS GROWING AWARENESS THAT SPECIAL RELATIONSHIP SERVES NEITHER BEST INTEREST. DEVELOPING MORE MATURE RELATIONSHIP "PERMITS US TO MAINTAIN CLOSE TIES, COOPERATE FULLY ON BILATERAL AND MULTILATERAL ISSUES, IS OF MUTUAL BENEFIT, YET LEAVES EACH COUNTRY FREE TO PURSUE ITS NATIONAL INTERESTS..."

4. OIL EXPORTS. MACEACHEN SAID GOC HAD DEMONSTRATED WILLINGNESS TO ASSIST US CONSISTENT WITH NATIONAL NEEDS. HE CITED OBJECTIONS FROM SOME QUARTERS IN US, BUT SAID CANADA COULD NOT BE EXPECTED TO SACRIFICE ITS OWN NEEDS. HOWEVER, RECENT US ACTIONS ON OIL PRICES HAVE RELIEVED THIS IRRITANT.

5. HE SAID COUNTRIES ARE INCREASINGLY INTERDEPENDENT, AND CONFLICTS OF INTEREST BOUND TO DEVELOP. IN THIS CONNECTION HE CITED US COUNTERVAILING DUTIES ON MICHELIN TIRES AS EXAMPLE OF HOW DOMESTIC PROGRAM, DESIGNED TO CORRECT REGIONAL DISPARITIES, CAN BECOME AN ISSUE WITH US.

6. CONSULTATION. MACEACHEN EMPHASIZED IMPORTANCE OF ADVANCE UNCLASSIFIED

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CONSULTATION. HE USED GARRISON IDVERSION AS EXAMPLE OF HOW TECHNICAL EXCHANGES AT WORKING LEVEL CAN AVOID POLITICAL CONFRONTATION, NOTING THAT PORTIONS OF PROJECT DIRECTLY AFFECTING CANADA HAVE NOT BEEN BUILT.

7. "SOME PROGRESS HAS TO BE MADE" WITH US ON ISSUE OF APPLICATION OF TRADING WITH THE ENEMY LEGISLATION TO US SUBSIDIARIES IN CANADA. CANADA CANNOT ACCEPT EXTRA-TERRITORIAL

APPLICATION OF LAWS OF ANOTHER STATE. MACEACHEN MENTIONED
PENDING CANADIAN LEGISLATION PROHIBITING COMPANIES FROM OBEYING
FOREIGN LAWS, WHICH HE HOPED WOULD SOLVE LARGE PART OF PROBLEM.

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IM CONCLUDING, MACEACHEN CALLED RELATIONS FUNDAMENTALLY SOUND
BUT IN DIFFICULT AND COMPLEX NEW PHASE, AND REITERATED PLEA
FOR CONSULTATIVE APPROACH TO US, "THE FIRST AMONG ALL OUR
PARTNERS."
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